

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Western Reserve Bancorp, Inc. and subsidiary, Western Reserve Bank

Point of Contact:	Cynthia A. Mahl	RSSD: (For Bank Holding Companies)	2730459
UST Sequence Number:	949	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	4,700,000	FDIC Certificate Number: (For Depository Institutions)	34894
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Medina
Date Repaid ¹ :	N/A	State:	Ohio

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

CPP functioned as both a force allowing Western Reserve Bank (WRB) to expand lending (5/09-5/10) and eventually to reduce the negative impact of the economic downturn (6/10 to present).

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The expansion of the WRB loan Portfolio was concentrated in small business loans and commercial mortgage loans.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

The economic strain negatively affected many of our business borrowing customers. Upon review of their 2009 financial information during 2010, WRB necessarily added significant amounts to the Allowance for Loan and Lease Losses (ALLL) reserves.

☐ Reduce borrowings.

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

When the bank dramatically increased the ALLL the presence of the CPP funds buttressed the bank's capital position. This, in turn, allowed Bank management to make decisions in the best interest of the customer and the bank, as opposed to survival oriented decisions.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We believe that our capital strength enabled us to avoid a more severe retrenching of our ability to lend to local small businesses.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Bank management was successfully able to support the recovery of local small business customers without forcing foreclosures and liquidations. This customer-focused direction was enabled through our CPP-supported strong capital position. Without the influx of the CPP capital, there could have been the potential for serious negative implications for our small business customers and even the bank itself.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.